

Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended and P.A. 71 of 1919, as amended.

Local Unit of Government Type <input type="checkbox"/> County <input checked="" type="checkbox"/> City <input type="checkbox"/> Twp <input type="checkbox"/> Village <input type="checkbox"/> Other		Local Unit Name WAKEFIELD	County GOGEbic
Fiscal Year End 6/30/2006	Opinion Date 10/12/2006	Date Audit Report Submitted to State 10/31/2006	

We affirm that:

We are certified public accountants licensed to practice in Michigan.

We further affirm the following material, "no" responses have been disclosed in the financial statements, including the notes, or in the Management Letter (report of comments and recommendations).

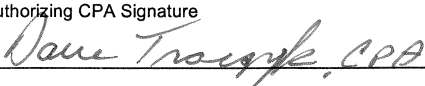
YES
NO

Check each applicable box below. (See instructions for further detail.)

1. ☒ ☐ All required component units/funds/agencies of the local unit are included in the financial statements and/or disclosed in the reporting entity notes to the financial statements as necessary.
2. ☐ ☒ There are no accumulated deficits in one or more of this unit's unreserved fund balances/unrestricted net assets (P.A. 275 of 1980) or the local unit has not exceeded its budget for expenditures.
3. ☒ ☐ The local unit is in compliance with the Uniform Chart of Accounts issued by the Department of Treasury.
4. ☒ ☐ The local unit has adopted a budget for all required funds.
5. ☒ ☐ A public hearing on the budget was held in accordance with State statute.
6. ☒ ☐ The local unit has not violated the Municipal Finance Act, an order issued under the Emergency Municipal Loan Act, or other guidance as issued by the Local Audit and Finance Division.
7. ☒ ☐ The local unit has not been delinquent in distributing tax revenues that were collected for another taxing unit.
8. ☒ ☐ The local unit only holds deposits/investments that comply with statutory requirements.
9. ☒ ☐ The local unit has no illegal or unauthorized expenditures that came to our attention as defined in the *Bulletin for Audits of Local Units of Government in Michigan*, as revised (see Appendix H of Bulletin).
10. ☒ ☐ There are no indications of defalcation, fraud or embezzlement, which came to our attention during the course of our audit that have not been previously communicated to the Local Audit and Finance Division (LAFD). If there is such activity that has not been communicated, please submit a separate report under separate cover.
11. ☐ ☒ The local unit is free of repeated comments from previous years.
12. ☐ ☒ The audit opinion is UNQUALIFIED.
13. ☒ ☐ The local unit has complied with GASB 34 or GASB 34 as modified by MCGAA Statement #7 and other generally accepted accounting principles (GAAP).
14. ☒ ☐ The board or council approves all invoices prior to payment as required by charter or statute.
15. ☒ ☐ To our knowledge, bank reconciliations that were reviewed were performed timely.

If a local unit of government (authorities and commissions included) is operating within the boundaries of the audited entity and is not included in this or any other audit report, nor do they obtain a stand-alone audit, please enclose the name(s), address(es), and a description(s) of the authority and/or commission.

I, the undersigned, certify that this statement is complete and accurate in all respects.

We have enclosed the following:	Enclosed	Not Required (enter a brief justification)	
Financial Statements	<input checked="" type="checkbox"/>		
The letter of Comments and Recommendations	<input checked="" type="checkbox"/>		
Other (Describe)	<input type="checkbox"/>	N/A	
Certified Public Accountant (Firm Name) DAVID TRACYK CPA		Telephone Number 715-561-3299	
Street Address 327 SILVER STREET		City HURLEY	State WI
Zip 54534			
Authorizing CPA Signature 	Printed Name DAVID TRACYK	License Number 1101011098	

CITY OF WAKEFIELD, MICHIGAN
AUDITED FINANCIAL STATEMENTS
June 30, 2006

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DAVID TRACZYK

Certified Public Accountant

327 SILVER STREET
HURLEY, MICHIGAN 54534-1255

Member: AICPA, WICPA

Licensed: MI, WI

Tel: 715-561-3299

Fax: 715-561-4099

INDEPENDENT AUDITOR'S REPORT

Mayor and Members of the Council
City of Wakefield, Michigan

I have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Wakefield Michigan, as of and for the year ended June 30, 2006, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City of Wakefield, Michigan management. My responsibility is to express an opinion on these statements based on my audit.

Except as indicated in the following paragraph, I conducted my audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. I believe that my audit provides a reasonable basis for my opinion.

Management has not maintained adequate records to support the amounts claimed as inventory in the general fund, electric fund, water fund, and sewer fund of \$44,630, \$65,280, \$34,525, and \$444, respectively.

In my opinion, except for the effects, if any, of not being able to verify the inventory of the general fund, electric fund, water fund, sewer fund, as described in the preceding paragraph, the financial statements referred to above present fairly, in all material respects, the respective financial position of the general fund, electric fund, water fund, and sewer fund of the City of Wakefield, Michigan, as of June 30, 2006, and the respective changes in financial position thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In addition, in my opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the major and local street funds, and the aggregate remaining fund information of the City of Wakefield, Michigan, as of June 30, 2006, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The City of Wakefield, Michigan, has not presented management's discussion and analysis that accounting principles generally accepted in the United States has determined is necessary to supplement, although not required to be part of, the basic financial statements.

My audit was conducted for the purpose of forming an opinion on the financial statements of the City of Wakefield, Michigan, taken as a whole. The combining and individual fund financial statements listed in the table of contents are presented for purposes of additional analysis and are not a required part of the financial statements of the City of Wakefield, Michigan. Such information has been subjected to auditing procedures applied in the audit of the financial statements and, in my opinion, is fairly presented in all material respects in relation to the financial statements taken as a whole.

In accordance with *Government Auditing Standards*, I have also issued my report dated October 12, 2006, on my consideration of City of Wakefield, Michigan internal control over financial reporting and on my tests of its compliance with certain provisions of laws, regulations, contracts, and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of my audit.

October 12, 2006

CITY OF WAKEFIELD, MICHIGAN
STATEMENT OF NET ASSETS
June 30, 2006

	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash	\$ 519,849	\$ 421,860	\$ 941,709
Accounts receivable	13,566	130,298	143,864
Taxes receivable	70,665	-	70,665
Due from other governments	114,377	-	114,377
Internal balances	(66,074)	66,074	-
Deferred charges	40,387	-	40,387
Inventory	44,630	100,249	144,879
Restricted cash	35,420	282,136	317,556
Capital assets	3,979,009	14,073,745	18,052,754
Accumulated depreciation	<u>(2,595,772)</u>	<u>(2,168,618)</u>	<u>(4,764,390)</u>
Total Assets	2,156,057	12,905,744	15,061,801
LIABILITIES			
Vouchers payable	54,611	60,627	115,238
Accrued interest	-	16,548	16,548
Due to other taxing agencies	75,754	-	75,754
Meter deposits	-	29,869	29,869
Revenue bonds payable	-	4,474,000	4,474,000
Accrued compensated absences	<u>170,202</u>	<u>-</u>	<u>170,202</u>
Total Liabilities	<u>300,567</u>	<u>4,581,044</u>	<u>4,881,611</u>
NET ASSETS			
Investments in capital assets, net of related debt	1,383,237	7,413,664	8,796,901
Restricted for debt service	-	222,067	222,067
Restricted for capital projects	35,420	60,069	95,489
Unrestricted	<u>436,833</u>	<u>628,900</u>	<u>1,065,733</u>
Total Net Assets	<u>\$ 1,855,490</u>	<u>\$ 8,324,700</u>	<u>\$ 10,180,190</u>

See accompanying notes to basic financial statements.

CITY OF WAKEFIELD, MICHIGAN
STATEMENT OF ACTIVITIES
Year ended June 30, 2006

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
Governmental Activities:					
General government	\$ 611,336	\$ 45,814	\$ 308,015	\$ -	\$ (257,507)
Public safety	133,478	-	-	-	(133,478)
Highways and streets	441,201	2,063	776,265	-	337,127
Public works	67,884	-	-	-	(67,884)
Community services	252,038	176,833	28,100	-	(47,105)
Parks and recreation	94,453	32,321	-	-	(62,132)
Total Governmental Activities	1,600,390	257,031	1,112,380	-	(230,979)
Business-type Activities:					
Electric	915,344	961,819	-	-	46,475
Water	289,453	240,755	-	-	(48,698)
Sewer	457,528	351,153	-	-	(106,375)
Total Business-type Activities	1,662,325	1,553,727	-	-	(108,598)
Total	<u>\$ 3,262,715</u>	<u>\$ 1,810,758</u>	<u>\$ 1,112,380</u>	<u>\$ -</u>	<u>\$ (339,577)</u>

Changes in Net Assets

	Governmental Activities	Business type Activities	Total
Net (Expense) Revenue	\$ (230,979)	\$ (108,598)	\$ (339,577)
General Revenues:			
Property taxes	358,046	-	358,046
Investment income	8,188	16,018	24,206
Miscellaneous	25,514	-	25,514
Transfers	18,169	(18,169)	-
Total General Revenues and Transfers	409,917	(2,151)	407,766
Changes in Net Assets	178,938	(110,749)	68,189
Net Assets at Beginning of Year	1,676,552	8,435,449	10,112,001
Net Assets at End of Year	<u>\$ 1,855,490</u>	<u>\$ 8,324,700</u>	<u>\$ 10,180,190</u>

See accompanying notes to basic financial statements.

CITY OF WAKEFIELD, MICHIGAN
BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2006

	General	Major Street	Local Street	Other Governmental Funds	Total Governmental Funds
ASSETS					
Cash	\$ 110,478	\$ 138,169	\$ 215,020	\$ 56,182	\$ 519,849
Accounts receivable	-	-	-	13,566	13,566
Taxes receivable	69,812	-	-	853	70,665
Due from other governments	114,377	-	-	-	114,377
Due from other funds	361,172	246,069	111,357	69,536	788,134
Deferred charges	40,387	-	-	-	40,387
Inventory	44,630	-	-	-	44,630
Restricted cash	35,420	-	-	-	35,420
Total Assets	\$ 776,276	\$ 384,238	\$ 326,377	\$ 140,137	\$ 1,627,028
LIABILITIES					
Vouchers payable	\$ 43,404	\$ 212	\$ 1,023	\$ 8,075	\$ 52,714
Due to other funds	522,826	180,354	95,457	150,138	948,775
Due to other taxing agencies	75,754	-	-	-	75,754
Total Liabilities	641,984	180,566	96,480	158,213	1,077,243
FUND BALANCES					
Reserved for capital expenditures	35,420	-	-	-	35,420
Unreserved	98,872	203,672	229,897	(18,076)	514,365
Total Fund Balances	134,292	203,672	229,897	(18,076)	549,785
Total Liabilities and Fund Balances	\$ 776,276	\$ 384,238	\$ 326,377	\$ 140,137	

Amounts reported for governmental activities in the Statement of Net Assets are different because:

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds, net of accumulated depreciation of \$2,595,772. 1,383,237

Internal service funds are used by management to charge the cost of certain activities, such as fleet management to individual funds. The assets and liabilities of the Internal Service Fund, (net of capital assets) consist of:

Current assets	\$ 389,001	
Current liabilities	\$ 296,331	92,670

Long term liabilities are not due and payable in the current period and therefore are not reported in the funds:

Accrued compensated absences	(170,202)
	<u>\$ 1,855,490</u>

See accompanying notes to basic financial statements.

CITY OF WAKEFIELD, MICHIGAN
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
GOVERNMENTAL FUNDS
Year ended June 30, 2006

	General	Major Street	Local Street	Other Governmental Funds	Total Governmental Funds
Revenues:					
Local Sources:					
Property taxes	\$ 358,046	\$ -	\$ -	\$ -	\$ 358,046
Rentals	4,540	-	-	-	4,540
Administration	41,274	-	-	-	41,274
Charges for services	32,321	2,063	-	176,833	211,217
Interest	4,040	779	1,603	1,766	8,188
Other	23,826	-	-	1,688	25,514
Intermediate sources	8,495	-	-	26,153	34,648
State sources	299,520	323,738	156,066	1,947	781,271
Federal sources	-	179,808	116,653	-	296,461
	772,062	506,388	274,322	208,387	1,761,159
Expenditures:					
General Government	572,493	-	-	-	572,493
Public safety	114,220	-	-	-	114,220
Highways & streets	22,691	207,774	201,745	-	432,210
Public works	67,598	-	-	-	67,598
Community services	-	-	-	248,380	248,380
Parks and recreation	85,794	-	-	-	85,794
Capital outlay	10,386	224,400	-	-	234,786
	873,182	432,174	201,745	248,380	1,755,481
Excess of Revenues over (under) Expenditures	(101,120)	74,214	72,577	(39,993)	5,678
Other Financing Sources (Uses):					
Transfers in	18,169	-	54,769	40,185	113,123
Transfers (out)	(40,185)	(54,769)	-	-	(94,954)
	(22,016)	(54,769)	54,769	40,185	18,169
Net Change in Fund Balances	(123,136)	19,445	127,346	192	23,847
Fund balance at beginning of year	257,428	184,227	102,551	(18,268)	525,938
Fund balance at end of year	\$ 134,292	\$ 203,672	\$ 229,897	\$ (18,076)	\$ 549,785

(Continued)

See accompanying notes to basic financial statements.

(Continued)

Reconciliation of the change in fund balances - total governmental funds to the change in net assets of governmental activities:

Net change in fund balances - total governmental funds	\$	23,847
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Amounts reported for governmental activities in the statement of activities are different because:

Governmental funds report capital outlays as expenditures while governmental activities report depreciation expense to allocate those expenditures over the life of the assets:

Capital asset purchases capitalized	234,786	
Depreciation expense	<u>(51,428)</u>	183,358

Internal service fund expenses in excess of costs allocated to individual funds:

Total expenses	175,543	
Allocated expenses	<u>165,820</u>	(9,723)

Some expenses reported in the Statement of Activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds:

Accrued compensated absences	<u>(18,544)</u>
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Change in Net Assets of Governmental Activities	<u>\$</u>	<u>178,938</u>
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See accompanying notes to basic financial statements.

CITY OF WAKEFIELD, MICHIGAN
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
GENERAL FUND
Year ended June 30, 2006

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Local Sources:				
Property taxes	\$ 359,465	\$ 359,465	\$ 358,046	\$ (1,419)
Rentals	300	300	4,540	4,240
Administration	44,950	44,950	41,274	(3,676)
Charges for services	28,200	28,200	32,321	4,121
Interest	2,000	2,000	4,040	2,040
Other	2,500	2,500	23,826	21,326
Intermediate sources	8,230	8,230	8,495	265
State sources	282,079	282,079	299,520	17,441
Federal sources	-	-	-	-
	<u>727,724</u>	<u>727,724</u>	<u>772,062</u>	<u>44,338</u>
Expenditures:				
General Government	479,068	479,068	572,493	(93,425)
Public safety	105,010	105,010	114,220	(9,210)
Highways & streets	22,440	22,440	22,691	(251)
Public Works	66,700	66,700	67,598	(898)
Parks and recreation	63,400	63,400	85,794	(22,394)
Capital outlay	18,000	18,000	10,386	7,614
	<u>754,618</u>	<u>754,618</u>	<u>873,182</u>	<u>(118,564)</u>
Excess of Revenues over (under)				
Expenditures	(26,894)	(26,894)	(101,120)	(74,226)
Other Financing Sources (Uses):				
Operating transfers in	36,338	36,338	18,169	(18,169)
Operating transfers (out)	(44,185)	(44,185)	(40,185)	4,000
	<u>(7,847)</u>	<u>(7,847)</u>	<u>(22,016)</u>	<u>(14,169)</u>
Excess of Revenues and Other Sources over (under) Expenditures and Other (Uses)	(34,741)	(34,741)	(123,136)	(88,395)
Fund balance at beginning of year	<u>257,428</u>	<u>257,428</u>	<u>257,428</u>	<u>-</u>
Fund balance at end of year	<u>\$ 222,687</u>	<u>\$ 222,687</u>	<u>\$ 134,292</u>	<u>\$ (88,395)</u>

See accompanying notes to basic financial statements.

CITY OF WAKEFIELD, MICHIGAN
STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
June 30, 2006

	Business type Activities - Enterprise Funds				Governmental Activities - Internal Service Fund
ASSETS	Electric	Water	Sewer	Total	
CURRENT ASSETS:					
Cash	\$ 275,398	\$ 59,620	\$ 86,842	\$ 421,860	\$ -
Accounts receivable	70,359	20,588	39,351	130,298	-
Due from other funds	111,680	63,954	-	175,634	389,001
Inventory	65,280	34,525	444	100,249	-
Total Current Assets	522,717	178,687	126,637	828,041	389,001
RESTRICTED ASSETS:					
Cash	-	-	282,136	282,136	-
Total Restricted Assets	-	-	282,136	282,136	-
NONCURRENT ASSETS:					
Property, plant, and equipment	1,320,506	1,360,156	11,393,083	14,073,745	1,442,266
Accumulated depreciation	(687,530)	(552,486)	(928,602)	(2,168,618)	(1,241,137)
Total Noncurrent Assets	632,976	807,670	10,464,481	11,905,127	201,129
Total Assets	1,155,693	986,357	10,873,254	13,015,304	590,130
LIABILITIES					
CURRENT LIABILITIES:					
Vouchers payable	55,483	3,620	1,524	60,627	1,897
Accrued interest	-	-	16,548	16,548	-
Due to other funds	14,274	66,771	28,515	109,560	294,434
Current portion of bonds	-	-	58,000	58,000	-
Total Current Liabilities	69,757	70,391	104,587	244,735	296,331
NONCURRENT LIABILITIES:					
Meter deposits	20,256	9,613	-	29,869	-
Revenue bonds payable	-	-	4,416,000	4,416,000	-
Total Noncurrent Liabilities	20,256	9,613	4,416,000	4,445,869	-
Total Liabilities	90,013	80,004	4,520,587	4,690,604	296,331
NET ASSETS					
Investments in capital assets, net of related debt	632,976	807,670	5,973,018	7,413,664	201,129
Restricted for debt service	-	-	222,067	222,067	-
Restricted for capital projects	-	-	60,069	60,069	-
Unrestricted	432,704	98,683	97,513	628,900	92,670
Total Net Assets	\$ 1,065,680	\$ 906,353	\$ 6,352,667	\$ 8,324,700	\$ 293,799

See accompanying notes to basic financial statements.

CITY OF WAKEFIELD, MICHIGAN
STATEMENT OF REVENUE, EXPENSES, AND CHANGES IN NET ASSETS
PROPRIETARY FUNDS
Year ended June 30, 2006

	Business type Activities - Enterprise Funds				Governmental Activities - Internal Service Fund
	Electric	Water	Sewer	Total	
Operating Revenues:					
Charges for services	\$ 950,756	\$ 233,255	\$ 351,153	\$ 1,535,164	\$ -
Rentals	11,063	7,500	-	18,563	165,820
Total Operating Revenue	961,819	240,755	351,153	1,553,727	165,820
Operating Expenses:					
Operations	223,273	225,719	122,267	571,259	122,251
Administration	29,981	23,342	6,326	59,649	-
Electric power purchased	622,475	-	-	622,475	-
Depreciation	39,615	40,392	125,292	205,299	53,292
Total Operating Expenses	915,344	289,453	253,885	1,458,682	175,543
Operating Income (Loss)	46,475	(48,698)	97,268	95,045	(9,723)
Non-operating revenue (expenses):					
Interest income	6,004	1,351	8,663	16,018	-
Interest expense	-	-	(203,643)	(203,643)	-
Total non-operating revenues (expenses)	6,004	1,351	(194,980)	(187,625)	-
Net Income Before Contributions and Transfers	52,479	(47,347)	(97,712)	(92,580)	(9,723)
Capital contributions				-	-
Operating transfers:					
Transfers in	-	-	-	-	-
Transfers (out)	(17,169)	(1,000)	-	(18,169)	-
Net transfers	(17,169)	(1,000)	-	(18,169)	-
Change in Net Assets	35,310	(48,347)	(97,712)	(110,749)	(9,723)
Net Assets at Beginning of Year	1,030,370	954,700	6,450,379	8,435,449	303,522
Net Assets at End of Year	\$ 1,065,680	\$ 906,353	\$ 6,352,667	\$ 8,324,700	\$ 293,799

See accompanying notes to basic financial statements.

CITY OF WAKEFIELD, MICHIGAN
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
Year ended June 30, 2006

	Business type Activities - Enterprise Funds				Governmental Activities - Internal Service Fund
	Electric	Water	Sewer	Total	
CASH FLOWS FROM OPERATING ACTIVITIES					
Receipts from customers	\$ 967,914	\$ 240,808	\$ 342,692	\$ 1,551,414	\$ -
Payments to suppliers	(705,962)	(137,158)	(68,501)	(911,621)	(82,414)
Payments to employees	(184,155)	(113,762)	(59,700)	(357,617)	(39,837)
Internal activity - payment from (to) other funds	(57,486)	11,112	7,566	(38,808)	122,251
Net Cash Provided by Operating Activities	20,311	1,000	222,057	243,368	-
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES					
Transfers from (to) other funds	(17,169)	(1,000)	-	(18,169)	-
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES					
Capital contributions	-	-	-	-	-
Purchase of capital assets	-	-	-	-	-
Principal paid on capital debt	-	-	(56,000)	(56,000)	-
Interest paid on capital debt	-	-	(203,850)	(203,850)	-
Net Cash Provided (Used) by Capital and Related Financing Activities	-	-	(259,850)	(259,850)	-
CASH FLOWS FROM INVESTING ACTIVITIES					
Proceeds from sale of investments	-	-	-	-	-
Interest income	6,004	1,351	8,663	16,018	-
Net Cash Provided (Used) by Investing Activities	6,004	1,351	8,663	16,018	-
Net Increase (Decrease) in Cash and Cash Equivalents	9,146	1,351	(29,130)	(18,633)	-
Balances - Beginning of Year	266,252	58,269	398,108	722,629	-
Balances - End of Year	\$ 275,398	\$ 59,620	\$ 368,978	\$ 703,996	\$ -
 Cash, including time deposits	 \$ 275,398	 \$ 59,620	 \$ 86,842	 \$ 421,860	 \$ -
Restricted cash, including time deposits	-	-	282,136	282,136	-
Total Cash and Cash Equivalents, End of Year	\$ 275,398	\$ 59,620	\$ 368,978	\$ 703,996	\$ -

(Continued)

See accompanying notes to basic financial statements.

(Continued)

RECONCILIATION OF OPERATING INCOME TO NET CASH

PROVIDED (USED) BY OPERATING ACTIVITIES

Operating income (loss)	\$ 46,475	\$ (48,698)	\$ 97,268	\$ 95,045	\$ (9,723)
Adjustment to reconcile operating income to net cash provided (used) by operating activities:					
Depreciation	39,615	40,392	125,292	205,299	53,292
Change in assets and liabilities:					
Receivables	6,175	70	(8,461)	(2,216)	-
Due from other funds	(53,207)	19,032	-	(34,175)	(165,691)
Inventory	(18,481)	2,007	-	(16,474)	-
Vouchers payable	4,093	(3,866)	392	619	(765)
Due to other funds	(4,279)	(7,920)	7,566	(4,633)	122,887
Meter deposits	(80)	(17)	-	(97)	-
Net Cash Provided by Operating Activities	<u>\$ 20,311</u>	<u>\$ 1,000</u>	<u>\$ 222,057</u>	<u>\$ 243,368</u>	<u>\$ -</u>

Noncash investing, capital and financing activities:

None

See accompanying notes to basic financial statements.

CITY OF WAKEFIELD, MICHIGAN
NOTES TO FINANCIAL STATEMENTS

June 30, 2006

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

GENERAL STATEMENT

The City of Wakefield, Michigan (the "City") operates under a Council – Manager form of government as authorized by its charter.

The City complies with generally accepted accounting principles (GAAP). GAAP includes all relevant Governmental Accounting Standards Board (GASB) pronouncements. In the government-wide financial statements and the fund financial statements for the proprietary funds, Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board (APB) opinions issued on or before November 30, 1989, have been applied unless those pronouncements conflict with or contradict GASB pronouncements, in which case, GASB prevails. For enterprise funds, GASB Statement Nos. 20 and 34 provide the City the option of electing to apply FASB pronouncements issued after November 30, 1989. The City has elected not to apply those pronouncements. The accounting and reporting framework and the more significant accounting policies are discussed in subsequent subsections of this Note.

REPORTING ENTITY

In accordance with generally accepted accounting principles and Governmental Accounting Standards Board (GASB) Statement No. 14 "The Financial Reporting Entity", these financial statements present the Local Unit (primary government) and its component units. The criteria established by the GASB for determining the reporting entity includes oversight responsibility, fiscal dependency, and whether the financial statements would be misleading if data were not included. Based on this criteria, the City has no component units.

BASIS OF PRESENTATION

Government-wide Financial Statements:

The Statement of Net Assets and Statement of Activities display information about the reporting government as a whole. They include all funds of the reporting entity except for fiduciary funds. The statements distinguish between governmental and business-type activities. Governmental activities generally are financed through taxes. Intergovernmental revenues, and other nonexchange revenues. Business-type activities are financed in whole or in part by fees charged to external parties for goods or services.

Fund Financial Statements:

Fund financial statements of the reporting entity are organized into funds, each of which is considered to be separate accounting entities. Each fund is accounted for by providing a separate set of self-balancing accounts that constitute its assets, liabilities, fund equity, revenues, and expenditure/expenses. Funds are organized into three major categories: governmental, proprietary, and fiduciary. An emphasis is placed on major funds within the governmental and proprietary categories. A fund is considered major if it is the primary operating fund of the City or meets the following criteria:

NOTES TO FINANCIAL STATEMENTS (continued)

- a. Total assets, liabilities, revenues, or expenditures/expenses of that individual governmental or enterprise fund are at least 10 percent of the corresponding total for all funds of that category or type; and
- b. Total assets, liabilities, revenues, or expenditures/expenses of the individual governmental fund or enterprise fund are at least 5 percent of the corresponding total for all governmental and enterprise funds combined.

The funds of the financial reporting entity are described below:

Governmental Funds

General Fund

The General Fund is the primary operating fund of the City and always classified as a major fund. It is used to account for all activities except those legally or administratively required to be accounted for in other funds.

Special Revenue Funds

Special Revenue Funds are used to account for the proceeds of specific revenue sources that are legally restricted to expenditures for certain purposes.

Proprietary Funds

Enterprise Funds

Enterprise funds are used to account for business-like activities provided to the general public. These activities are financed primarily by user charges and the measurement of financial activity focuses on net income measurement similar to the private sector.

Internal Service Fund

The City's internal service fund is used to account for the financing of fleet management services. These services are provided to the various funds of the City on a cost reimbursement basis.

NOTES TO FINANCIAL STATEMENTS (continued)

Major and Nonmajor Funds

The governmental and enterprise funds of the City are further classified as major and nonmajor funds as follows:

Fund	Brief Description
MAJOR FUNDS	
1. General	See above for description.
Special Revenue:	
2. Major Street	Account for revenues and expenditures of major street system.
3. Local Street	Account for revenues and expenditures of local street system.
Enterprise:	
4. Electric	Account for revenues and expenses of providing electric service to the public.
5. Water	Account for revenues and expenses of providing water service to the public.
6. Sewer	Account for revenues and expenses of providing sewer service to the public.
NONMAJOR FUNDS	
Special Revenue:	
7. Building Inspector	Account for revenues and expenditures of building inspection services.
8. Library	Account for revenues and expenditures of operating the library.
9. Cemetery	Account for revenues and expenditures of operating the cemetery.
10. Garbage	Account for revenues and expenditures of providing garbage services to the public.

Measurement Focus

On the government-wide Statement of Net Assets and the Statement of Activities, both governmental and business-like activities are presented using the economic resources measurement focus as defined in item b. below.

In the fund financial statements, the “current financial resources” measurement focus or the “economic resources” measurement focus is used as appropriate:

- a. All governmental funds utilize a “current financial resources” measurement focus. Only current financial assets and liabilities are generally included on their balance sheets. Their operating statements present sources and uses of available spendable financial resources during a given period. These funds use fund balance as their measure of available spendable financial resources at the end of the period.
- b. The proprietary funds utilize an “economic resources” measurement focus. The accounting objectives of this measurement focus are the determination of operating income, changes in net assets (or cost recovery), financial position, and cash flows. All assets and liabilities (whether current or noncurrent) associated with their activities are reported. Proprietary fund equity is classified as net assets.

NOTES TO FINANCIAL STATEMENTS (continued)

Basis of Accounting

In the government-wide Statement of Net Assets and Statement of Activities, both governmental and business-like activities are presented using the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recorded when the liability is incurred or economic asset used. Revenues, expenses, gains, losses, assets, and liabilities resulting from exchange and exchange-like transactions are recognized when the exchange takes place.

In the fund financial statements, governmental funds and agency funds are presented on the modified accrual basis of accounting. Under this modified accrual basis of accounting, revenues are recognized when “measurable and available.” Measurable means knowing or being able to reasonably estimate the amount. Available means collectible within the current period or within sixty days after year end. Expenditures (including capital outlay) are recorded when the related fund liability is incurred, except for general obligation bond principal and interest which are reported when due.

All proprietary funds utilize the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recorded when the liability is incurred or economic asset used.

ASSETS, LIABILITIES, AND EQUITY

Cash and Investments

For the purpose of the Statement of Net Assets, “cash, including time deposits” includes all demand, savings accounts, and certificates of deposits of the City. For the purpose of the proprietary fund Statement of Cash Flows, “cash and cash equivalents” include all demand and savings accounts, and certificates of deposit or short-term investments with an original maturity of three months or less.

Interfund Receivables and Payables

During the course of operations, numerous transactions occur between individual funds that may result in amounts owed between funds. Those related to goods and services type transactions are classified as “due to and from other funds.” Short-term interfund loans are reported as “interfund receivables and payables.” Long-term interfund loans (noncurrent portion) are reported as “advances from and to other funds.” Interfund receivables and payables between funds within governmental activities are eliminated in the Statement of Net Assets. See Note F for details of interfund transactions, including receivables and payables at year-end.

NOTES TO FINANCIAL STATEMENTS (continued)

Receivables

In the government-wide statements, receivables consist of all revenues earned at year-end and not yet received. Allowances for uncollectible accounts receivable are based upon historical trends and the periodic aging of accounts receivable. Major receivable balances for the governmental activities include sales and use taxes. Business-type activities report utilities earnings as their major receivables.

In the fund financial statements, material receivables in governmental funds include revenue accruals such as sales tax and grants and other similar intergovernmental revenues since they are usually both measurable and available. Interest and investment earnings are recorded when earned only if paid within 60 days since they would be considered both measurable and available. Proprietary fund material receivables consist of all revenues earned at year-end and not yet received. Utility accounts receivable compose the majority of proprietary fund receivables. Allowances for uncollectible accounts receivable are based upon historical trends and the periodic aging of accounts receivable.

Inventories

The inventories of the City's general fund and enterprise funds consist of supplies and are recorded at the lower of cost or estimated value.

Fixed Assets

The accounting treatment over property, plant, and equipment (fixed assets) depends on whether the assets are used in governmental fund operations or proprietary fund operations and whether they are reported in the government-wide or fund financial statements.

Government-wide Statements

In the government-wide financial statements, fixed assets are accounted for as capital assets. All fixed assets are valued at historical cost, or estimated historical cost if actual is unavailable, except for donated fixed assets which are recorded at their estimated fair value at the date of donation.

Depreciation of all exhaustible fixed assets is recorded as an allocated expense in the Statement of Activities, with accumulated depreciation reflected in the Statement of Net Assets. Depreciation is provided over the assets' estimated useful lives using the straight-line method of depreciation. The range of estimated useful lives by type of asset is as follows:

-Buildings	25-30 years
-Improvements	10-50 years
-Machinery and Equipment	03-20 years
-Utility System	25-50 years
-Infrastructure	25-75 years

Fund Financial Statements

In the fund financial statements, fixed assets used in governmental fund operations are accounted for as capital outlay expenditures of the governmental fund upon acquisition. Fixed assets used in proprietary fund operations are accounted for the same as in the government-wide statements.

NOTES TO FINANCIAL STATEMENTS (continued)

Restricted Assets

Restricted assets include cash and investments that are legally restricted as to their use. The primary restricted assets are related to cash accounts established to be used for capital projects and debt retirement.

Long-term Debt

The accounting treatment of long-term debt depends on whether the assets are used in governmental fund operations or proprietary fund operations and whether they are reported in the government-wide or fund financial statements.

All long-term debt to be repaid from governmental and business-type resources are reported as liabilities in the government-wide statements. The long-term debt consists primarily of bonds payable and accrued compensated absences.

Long-term debt for governmental funds is not reported as liabilities in the fund financial statements. The debt proceeds are reported as other financing sources and payment of principle and interest reported as expenditures. The accounting for proprietary fund is the same in the fund statements as it is in the government-wide statements.

Compensated Absences

The City's policies regarding vacation time and sick leave permit employees to accumulate earned but unused vacation and sick leave. The liability for these compensated absences is recorded as long-term in the government-wide statements. In the fund financial statements, the liability is reported as it is incurred.

Equity Classifications

Government-wide Statements

Equity is classified as net assets and displayed in three components:

- a. Invested in capital assets, net of related debt—Consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.
- b. Restricted net assets—Consists of net assets with constraints placed on the use either by (1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments; or (2) law through constitutional provisions or enabling legislation.
- c. Unrestricted net assets—All other net assets that do not meet the definition of "restricted" or "invested in capital assets, net of related debt."

Fund Statement

Governmental fund equity is classified as fund balance. Fund balance is further classified as reserved and unreserved, with unreserved further split between designated and undesignated. Proprietary fund equity is classified the same as in the government-wide statements. See Note E for additional disclosures.

REVENUES, EXPENDITURES, AND EXPENSES

Property Tax

Property tax revenue should be recognized in accordance with MCGAA Statement 3. Properties are assessed and lienied as of December 31 and their related property taxes are billed on December 1 or July 1 of the following year. These taxes are due on February 14, or August 31 with the final collection date of February 28 before they are added to the county delinquent tax rolls.

Operating Revenues and Expenses

Operating revenues and expenses for proprietary funds are those that result from providing services and producing and delivering goods, and /or services. It also includes all revenue and expenses not related to capital and related financing, noncapital financing, or investing activities.

Expenditures/Expenses

In government-wide financial statements, expenses are classified by function for both governmental and business-type activities.

In the fund financial statements, expenditures are classified as follows:

Governmental Funds--By Character:

Current (further classified by function)
Debt Service
Capital Outlay

Proprietary Fund--By Operating and Nonoperating

In the fund financial statements, governmental funds report expenditures of financial resources. Proprietary funds report expenses relating to use of economic resources.

Interfund Transfers

Permanent reallocation of resources between funds of the reporting entity are classified as interfund transfers. For the purposes of the Statement of Activities, all interfund transfers between individual governmental funds have been eliminated.

BUDETARY CONTROL

The City follows the following procedures in establishing budgets as reflected in the financial statements:

1. Prior to June 1st, the City Manager submits a proposed budget to the Council with covers all funds operated by the City commencing the following July 1st, the proposed expenditures and the means of financing them.
2. At least one public hearing is conducted by the City to obtain taxpayer comments and review the proposed budget in detail.
3. In June, the budget is legally enacted through passage of an ordinance.
4. Any revisions that alter any item of the budget are approved by the City Council.
5. Formal budgetary integration is employed as a management control device during the year.
6. Budgets are adopted on a basis consistent with Generally Accepted Accounting Principles.

Presented budgeted amounts presented are as originally adopted on June 16, 2005, or as amended by action of the Council. There were no amendments to the 2005-06 budget.

NOTES TO FINANCIAL STATEMENTS (continued)

Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

NOTE B – COMPLIANCE

The City ended the year with accumulated fund deficits in the following funds:

Building Inspector Fund	\$ 7,841
Library Fund	8,381
Cemetery	13,113

The city plans to eliminate these deficits by making operating transfers from the general fund as needed.

In addition, the City exceeded budgeted expenditures in the following funds:

General Fund	\$ 118,564
Major Street Fund	206,399
Local Street Fund	95,058
Cemetery Fund	10,984
Building Inspector Fund	298

NOTE C - BALANCE SHEET--CASH AND INVESTMENTS

Deposits are carried at cost. Deposits are in several financial institutions in the name of the Local Unit Treasurer. Michigan Compiled Laws, Section 129.91, authorizes the Local Unit to deposit and invest in the accounts of federally insured banks, credit unions, and savings and loan associations. Investments can also be made in bonds, securities and other obligations of the United States, or an agency or instrumentality of the United States government or Federal agency obligation repurchase agreements; bankers' acceptance of the United States banks; commercial paper rated within the three highest classifications by not less than two standard ratings services which mature not more than 270 days after the date of purchase and which involve no more than 50 percent of any one fund. Michigan law prohibits security in the form of collateral, surety bonds, or other forms for the deposit of public money. Attorney General's Opinion No. 6168 states that public funds may not be deposited in financial institutions located in states other than Michigan. The Local Unit's deposits are in accordance with statutory authority.

The Governmental Accounting Standards Board (GASB) Statement No. 3 risk disclosure for deposits at year-end are as follows:

Bank Balance	
Deposits	Total
Insured (FDIC)	\$ 200,000
Uninsured	1,087,148
	<u>\$ 1,287,148</u>

NOTES TO FINANCIAL STATEMENTS (continued)

NOTE D - ALLOWANCE FOR RECEIVABLES

The City records the receivables net of the allowance for uncollectibles. The amounts reflected as of June 30, 2006, include the following amounts with allowances for uncollectibles:

<u>Fund</u>	<u>Receivable</u>	<u>Allowance</u>	<u>Net</u>
General	\$ 87,653	\$ 17,841	\$ 69,812
Garbage	13,566	-	13,566
Electric	70,359	-	70,359
Water	20,588	-	20,588
Sewer	39,351	-	39,351

The allowance is established, as accounts are deemed uncollectible. Delinquent personal property taxes are deemed uncollectible at rates of 10%, 40%, 70%, and 100% when they become 1, 2, 3, and 4 or more years delinquent respectively.

NOTE E - RESTRICTED ASSETS

The assets consist of the following cash and short-term investments:

General Fund

The fund balance has been reserved and restricted funds have been established for capital expenditures as follows:

Investments	\$ 35,420
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NOTES TO FINANCIAL STATEMENTS (continued)

Sewer Fund

In connection with construction and financing of a sewer system capital improvement project, the following restricted bank accounts have been established:

	<u>Balance at June 30, 2006</u>
1. Bond and Interest Redemption Fund To receive sewer assessment funds designated to be used solely for the retirement of revenue bonds and related interest charges.	106,199
2. Bond Reserve Account To receive a minimum of \$26,000 per year, commencing July 1, 2000 until a balance of \$ 260,000 is achieved. These funds shall be used solely for the payment of bond principal and interest as to which these would otherwise be default.	115,868
3. Repair, Replacement, and Improvement To receive a minimum of \$26,000 per year, commencing July 1, 2000, less the amount deposited into the bond reserve account. These funds shall be used only for the repair, replacement, or improvement to the sewer system. If necessary, these funds can also be used for payment of bond principal and interest.	60,069
	<u><u>\$ 282,136</u></u>

NOTES TO FINANCIAL STATEMENTS (continued)

NOTE F - INTERFUND ACTIVITIES

The amounts of interfund receivables and payables at June 30, 2006, were as follows:

Receivable		Payable	
Fund	Amount	Fund	Amount
General	\$ 361,172	Sewer	\$ 14,133
		Cemetery	44,764
		Motor Pool	294,434
		Building Inspector	7,841
			<u>361,172</u>
Library	6,931	General	6,931
Electric	111,680	General	54,971
		Water	55,952
		Sewer	512
		Library	245
			<u>111,680</u>
Water	63,954	General	61,092
		Sewer	2,862
			<u>63,954</u>
Garbage	62,605	General	62,605
Motor Pool	389,001	Sewer	11,008
		Garbage	58,238
		Cemetery	19,050
		Water	10,819
		Major Street	180,354
		Local Street	95,258
		Electric	14,274
			<u>389,001</u>
Major Street	246,069	General	225,870
		Local Street	199
		Library	20,000
			<u>246,069</u>
Local Street	<u>111,357</u>	General	<u>111,357</u>
	<u>\$ 1,352,769</u>		<u>\$ 1,352,769</u>

NOTES TO FINANCIAL STATEMENTS (continued)

NOTE F- INTERFUND ACTIVITIES (continued)

Operating transfers between the various funds of the City for the year ended June 30, 2006, were as follows:

<u>Fund</u>	<u>Transfers In</u>	<u>Fund</u>	<u>Transfers Out</u>
General	\$ 18,169	Electric	\$ 17,169
		Water	<u>1,000</u>
			18,169
Library	40,185	General	40,185
Local Street	<u>54,769</u>	Major Street	<u>54,769</u>
	<u>\$ 113,123</u>		<u>\$ 113,123</u>

NOTES TO FINANCIAL STATEMENTS (continued)

NOTE G - PROPERTY, PLANT, AND EQUIPMENT

The detailed balances of major classes of assets of the proprietary funds by nature and function are as follows:

	<u>Beginning</u>	<u>Additions</u>	<u>Retirements</u>	<u>Ending</u>
<u>Enterprise Funds</u>				
Electric Fund:				
Substation	\$ 266,594	\$ -	\$ -	\$ 266,594
Warehouse	224,090	-	-	224,090
Miscellaneous	18,141	-	-	18,141
Meters	49,119	-	-	49,119
Operations	259,980	-	-	259,980
Street Lights	48,256	-	-	48,256
Transformers	62,459	-	-	62,459
Lines	282,953	-	-	282,953
Service	108,914	-	-	108,914
	<u>1,320,506</u>	<u>-</u>	<u>-</u>	<u>1,320,506</u>
Water Fund:				
Equipment	804,932	-	-	804,932
Meters	28,773	-	-	28,773
Service	32,954	-	-	32,954
Distribution	415,229	-	-	415,229
Hydrants	24,251	-	-	24,251
Reservoir	54,017	-	-	54,017
	<u>1,360,156</u>	<u>-</u>	<u>-</u>	<u>1,360,156</u>
Sewer Fund:				
Construction in progress	10,553,481	-	-	10,553,481
Collection	636,907	-	-	636,907
Lift Station	833	-	-	833
Catch Basins	20,087	-	-	20,087
Lagoon	166,515	-	-	166,515
Services	13,791	-	-	13,791
Equipment	1,469	-	-	1,469
	<u>11,393,083</u>	<u>-</u>	<u>-</u>	<u>11,393,083</u>
Accumulated Depreciation:				
Electric Fund	647,915	39,615	-	687,530
Water Fund	512,094	40,392	-	552,486
Sewer Fund	803,310	125,292	-	928,602
	<u>1,963,319</u>	<u>205,299</u>	<u>-</u>	<u>2,168,618</u>
<u>Internal Service Fund</u>				
Equipment	\$ 1,442,266	\$ -	\$ -	\$ 1,442,266
Accumulated Depreciation	1,187,845	53,292	-	1,241,137

NOTES TO FINANCIAL STATEMENTS (continued)

NOTE G - PROPERTY, PLANT, AND EQUIPMENT (continued)

A summary of changes in the general fixed assets is as follows:

	<u>Beginning</u>	<u>Additions</u>	<u>Retirements</u>	<u>Ending</u>
Land	\$ 377,331	\$ -	\$ -	\$ 377,331
Buildings	621,488	-	-	621,488
Improvements	783,800	-	-	783,800
Equipment	519,338	-	-	519,338
Infrastructure	<u>-</u>	<u>234,786</u>	<u>-</u>	<u>234,786</u>
	\$ 2,301,957	\$ 234,786	\$ -	\$ 2,536,743

Accumulated Depreciation:

Land	-	-	-	-
Buildings	494,195	6,365	-	500,560
Improvements	381,614	23,904	-	405,518
Equipment	427,398	19,594	-	446,992
Infrastructure	<u>-</u>	<u>1,565</u>	<u>-</u>	<u>1,565</u>
	\$ 1,303,207	\$ 51,428	\$ -	\$ 1,354,635

Depreciation expense was charged to governmental activities as follows:

General government	10,576
Public safety	19,258
Highways and streets	8,991
Public works	286
Community services	3,658
Parks and recreation	<u>8,659</u>
	<u>\$ 51,428</u>

NOTES TO FINANCIAL STATEMENTS (continued)

NOTE G - PROPERTY, PLANT, AND EQUIPMENT (continued)

The general fixed assets as of June 30, 2006, are distributed in the following locations:

	Land	Buildings	Improvements other than Buildings	Equipment	Infrastructure	Total
Public Land	\$ 377,331	\$ -	\$ -	\$ -	\$ -	\$ 377,331
City Buildings	-	357,572	264,400	101,222	-	723,194
Public Works	-	27,490	7,142	99,689	-	134,321
City property	-	24,758	-	4,428	-	29,186
Fire Department	-	58,427	-	271,328	-	329,755
Library	-	46,658	-	12,187	-	58,845
Police Department	-	-	-	22,121	-	22,121
Cemetery	-	-	35,921	5,088	-	41,009
Park	-	106,583	104,454	3,275	-	214,312
Industrial Park	-	-	371,319	-	-	371,319
Landfill	-	-	564	-	-	564
Highways and Streets	-	-	-	-	234,786	234,786
	<u>\$ 377,331</u>	<u>\$ 621,488</u>	<u>\$ 783,800</u>	<u>\$ 519,338</u>	<u>\$ 234,786</u>	<u>\$ 2,536,743</u>

NOTE H - COMPENSATED ABSENCES

Employees earn one day of sick leave per month with no maximum accumulation. Upon retirement, employees are entitled to payment (calculated with regard to years of service) for up to a maximum of 120 days, of unused sick leave. The estimated value of unrecorded sick leave at June 30, 2006, was \$137,591.

In addition, employees earn vacation in amounts that vary with the length of service. The employees are required to use their vacation annually, from the initial date of employment. As of June 30, 2006, unused vacation pay amounted to \$32,611.

NOTE I – DEFEASED DEBT

On May 22, 2000, the City issued sewage disposal system revenue and revenue refunding bonds of \$ 4,773,000 with an interest rate of 4.5%. Proceeds of \$ 719,412 from this bond issue were used to advance refund general obligation limited tax bonds with interest rates of 4.58% to 5.96% and a par value of \$ 695,000. The general obligation limited tax bonds mature in increments through July 1, 2006, and are callable on July 1, 2003.

The net proceeds of \$ 718,362, after paying escrow fees of \$1,050, were used to purchase U.S. government securities and those securities were deposited in an irrevocable trust with an escrow agent to provide debt service payments until the general obligation limited tax bonds are called on July 1, 2003. The advance refunding met the requirements of an in-substance debt defeasance and the general obligation limited tax bonds were removed from the City's general long-term debt account group.

As a result of the advance refunding, the City reduced its total debt service requirements by \$ 845,732, which resulted in an economic loss (difference between the present value of the debt service payments on the old and new debt) of \$ 211.

NOTES TO FINANCIAL STATEMENTS (continued)

NOTE J – SUMMARY OF CHANGES IN LONG-TERM DEBT

A summary of changes in the City's long-term debt is as follows:

	Balance June 30, 2005	Additions	Retired	Balance June 30, 2006
Sewage Disposal System				
Revenue and Revenue				
Refunding Bonds	\$ 4,530,000	\$ -	\$ 56,000	\$ 4,474,000
Compensated Absences	151,658	18,544	-	170,202
	<u>\$ 4,681,658</u>	<u>\$ 18,544</u>	<u>\$ 56,000</u>	<u>\$ 4,644,202</u>

NOTE K - EMPLOYEE RETIREMENT PLAN

The City is a participating member of the Michigan Municipal Employees Retirement System (MERS) which covers substantially all of the City employees. The plan requires employees' contributions equal to specified percentages of earnings and the City makes annual contributions to the plan equal to the amounts accrued for pension expense. Detailed information concerning the plan was not available, accordingly, various disclosures, required by GASB Statement No.25 and No. 27, are not included herein.

NOTE L - LONG-TERM DEBT

The general long-term debt of the City consists of the following sewage disposal system revenue and revenue refunding bonds:

Date of issue – May 22, 2000

Amount of original issue - \$ 4,773,000 (Series A \$ 4,525,000, Series B \$ 248,000)

Outstanding at June 30, 2006 - \$ 4,474,000

Interest rate - 4.5%

Interest dates – June 1 and December 1

The repayment schedule is as follows:

<u>Fiscal year ended June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2007	\$ 58,000	\$ 201,330	\$ 259,330
2008	60,000	198,720	258,720
2009	63,000	196,020	259,020
2010	66,000	193,185	259,185
2011	68,000	190,215	258,215
2012-2016	395,000	901,690	1,296,690
2017-2021	493,000	804,555	1,297,555
2022-2026	613,000	683,280	1,296,280
2024-2031	765,000	532,305	1,297,305
2031-2036	954,000	343,845	1,297,845
2037-2040	939,000	108,585	1,047,585
	<u>\$ 4,474,000</u>	<u>\$ 4,353,730</u>	<u>\$ 8,827,730</u>

NOTES TO FINANCIAL STATEMENTS (continued)

NOTE M – SEWER PROJECT

In November of 1992, the City established a Capital Improvement fund to account for the funding and costs of a sewer construction project which cost \$20,840,784. The project was substantially completed on July 1, 2002, and the Capital Improvement Fund was combined into the Sewer Fund. Depreciation of the costs began on July 1, 2002, at the rate of 1% per year. As of June 30, 2006, the detailed asset costs, individual useful lives, and abandoned or replaced assets have not been determined.

NOTE N – RISK MANAGEMENT

The City is exposed to various risks of losses related to torts; theft of, damage to and destruction of assets; errors and omissions; and natural disasters. The City has obtained coverage from a commercial insurance company. The City has comprehensive general liability coverage and has obtained worker' compensation coverage.

All risk management activities are accounted for in the financial statements of the City. Expenses and claims are recognized when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated. In determining claims, events that might create claims, but for which none have been reported, are considered.

Management estimates that the amount of actual or potential claims against the City as of June 30, 2006, will not materially affect the financial condition of the City. Therefore, the financial statements contain no provision for estimated claims. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three years.

NOTE O – COMMITMENTS AND CONTINGENCIES

In normal course of operations, the City participates in various federal or state grant/loan programs from year to year. The grant/loan programs are often subject to additional audits by agents of the granting or loaning agency, the purpose of that is to ensure compliance with the specific conditions of the grant or loan. Any liability for reimbursement that may arise as a result of these audits cannot be reasonably determined at this time, although it is believed the amount, if any, would not be material.

OTHER FINANCIAL INFORMATION

CITY OF WAKEFIELD, MICHIGAN
COMBINING BALANCE SHEET - NON-MAJOR GOVERNMENTAL FUNDS
June 30, 2006
Special Revenue Funds

	Building Inspector Fund	Library Fund	Cemetery Fund	Garbage Fund	Totals Other Governmental Funds
ASSETS					
Cash	\$ -	\$ 5,310	\$ 50,872	\$ -	\$ 56,182
Accounts receivable	-	-	-	13,566	13,566
Taxes receivable	-	-	-	853	853
Due from other governments	-	-	-	-	-
Due from other funds	-	6,931	-	62,605	69,536
	<u>\$ -</u>	<u>\$ 12,241</u>	<u>\$ 50,872</u>	<u>\$ 77,024</u>	<u>\$ 140,137</u>
LIABILITIES					
Vouchers payable	\$ -	\$ 377	\$ 171	\$ 7,527	\$ 8,075
Due to other funds	<u>7,841</u>	<u>20,245</u>	<u>63,814</u>	<u>58,238</u>	<u>150,138</u>
	7,841	20,622	63,985	65,765	158,213
EQUITY					
Fund balance (deficit):					
Unreserved	<u>(7,841)</u>	<u>(8,381)</u>	<u>(13,113)</u>	<u>11,259</u>	<u>(18,076)</u>
	<u>(7,841)</u>	<u>(8,381)</u>	<u>(13,113)</u>	<u>11,259</u>	<u>(18,076)</u>
	<u>\$ -</u>	<u>\$ 12,241</u>	<u>\$ 50,872</u>	<u>\$ 77,024</u>	<u>\$ 140,137</u>

CITY OF WAKEFIELD, MICHIGAN
 COMBINING STATEMENT OF REVENUES, EXPENDITURES,
 AND CHANGES IN FUND BALANCES - NON-MAJOR GOVERNMENTAL FUNDS
 Year ended June 30, 2006

	Special Revenue Funds				Total Other Governmental Funds
	Building Inspector Fund	Library Fund	Cemetery Fund	Garbage Fund	
Revenues:					
Local sources:					
Charges for services	\$ 585	\$ 293	\$ 13,515	\$ 133,928	\$ 148,321
Interest	-	310	1,456	-	1,766
Other	-	1,688	-	-	1,688
Intermediate sources	-	21,763	4,390	28,512	54,665
State sources	-	1,947	-	-	1,947
	<u>585</u>	<u>26,001</u>	<u>19,361</u>	<u>162,440</u>	<u>208,387</u>
Expenditures:					
Community services	<u>6,298</u>	<u>59,532</u>	<u>37,984</u>	<u>144,566</u>	<u>248,380</u>
	<u>6,298</u>	<u>59,532</u>	<u>37,984</u>	<u>144,566</u>	<u>248,380</u>
Excess of Revenues over (under) expenditures	(5,713)	(33,531)	(18,623)	17,874	(39,993)
Other Financing Sources (Uses):					
Operating transfers in	-	40,185	-	-	40,185
Operating transfers (out)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
	<u>-</u>	<u>40,185</u>	<u>-</u>	<u>-</u>	<u>40,185</u>
Excess of Revenues and Other Sources over (under) expenditures and other uses	(5,713)	6,654	(18,623)	17,874	192
Fund balance - beginning of year (deficit)	<u>(2,128)</u>	<u>(15,035)</u>	<u>5,510</u>	<u>(6,615)</u>	<u>(18,268)</u>
Fund Balance - end of year	<u>\$ (7,841)</u>	<u>\$ (8,381)</u>	<u>\$ (13,113)</u>	<u>\$ 11,259</u>	<u>\$ (18,076)</u>

CITY OF WAKEFIELD, MICHIGAN
STATEMENT OF REVENUE - BUDGET AND ACTUAL
GENERAL FUND
Year ended June 30, 2006

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget
				Positive
				(Negative)
Local Sources:				
Property taxes	\$ 359,465	\$ 359,465	\$ 358,046	\$ (1,419)
Rentals	300	300	4,540	4,240
Administration	44,950	44,950	41,274	(3,676)
Park income	28,200	28,200	32,321	4,121
Interest income	2,000	2,000	4,040	2,040
Sale of assets	-	-	11,235	11,235
Other	2,500	2,500	12,591	10,091
	<u>437,415</u>	<u>437,415</u>	<u>464,047</u>	<u>26,632</u>
Intermediate sources:				
Township services	8,230	8,230	8,495	265
State sources:				
Sales tax	279,619	279,619	282,785	3,166
Other	2,460	2,460	16,735	14,275
	<u>282,079</u>	<u>282,079</u>	<u>299,520</u>	<u>17,441</u>
	<u>\$ 727,724</u>	<u>\$ 727,724</u>	<u>\$ 772,062</u>	<u>\$ 44,338</u>

CITY OF WAKEFIELD, MICHIGAN
STATEMENT OF EXPENDITURES - BUDGET AND ACTUAL
GENERAL FUND
Year ended June 30, 2006

	Budget		Actual	Variance with Final
	Original	Final	Amounts	Budget Positive (Negative)
General government:				
Mayor and council	\$ 8,000	\$ 8,000	\$ 14,473	\$ (6,473)
Clerk	56,800	56,800	44,798	12,002
Code enforcement	2,500	2,500	2,191	309
Manager	62,300	62,300	59,204	3,096
Elections	4,300	4,300	4,026	274
Assessing	12,900	12,900	13,243	(343)
Attorney	8,000	8,000	15,005	(7,005)
Audit	8,500	8,500	-	8,500
Board or review	1,475	1,475	1,060	415
Treasurer	70,700	70,700	82,042	(11,342)
City buildings	34,000	34,000	60,998	(26,998)
Insurance	51,612	51,612	47,170	4,442
Fringe benefits	140,760	140,760	206,616	(65,856)
Other	17,221	17,221	21,667	(4,446)
	479,068	479,068	572,493	(93,425)
Public safety:				
Police	77,510	77,510	82,105	(4,595)
Fire	27,500	27,500	32,115	(4,615)
	105,010	105,010	114,220	(9,210)
Highways and streets:				
Street lighting	22,440	22,440	22,691	(251)
Public works:				
Garage and warehouse	50,100	50,100	47,678	2,422
Administration	16,600	16,600	16,752	(152)
Other	-	-	3,168	(3,168)
	66,700	66,700	67,598	(898)
Parks and recreation	63,400	63,400	85,794	(22,394)
Capital outlay	18,000	18,000	10,386	7,614
	<u>\$ 754,618</u>	<u>\$ 754,618</u>	<u>\$ 873,182</u>	<u>\$ (118,564)</u>

CITY OF WAKEFIELD, MICHIGAN
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
BUILDING INSPECTOR FUND
Year ended June 30, 2006

	Budget		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Local sources:				
Building permits	\$ 2,000	\$ 2,000	\$ 585	\$ (1,415)
	2,000	2,000	585	(1,415)
Expenditures:				
Community services:				
Contract service	5,500	5,500	5,825	(325)
Miscellaneous	500	500	473	27
	6,000	6,000	6,298	(298)
Excess of Revenues over (under) Expenditures	(4,000)	(4,000)	(5,713)	(1,713)
Other Financing Sources (Uses):				
Operating transfers in	4,000	4,000	-	(4,000)
Excess of Revenues and Other Sources over (under) Expenditures and Other Uses	-	-	(5,713)	(5,713)
Fund balance (deficit) at beginning of year	(2,128)	(2,128)	(2,128)	-
Fund balance at end of year	<u>\$ (2,128)</u>	<u>\$ (2,128)</u>	<u>\$ (7,841)</u>	<u>\$ (5,713)</u>

CITY OF WAKEFIELD, MICHIGAN
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
LIBRARY FUND
Year ended June 30, 2006

	Budget		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Local sources:				
Charges for service	\$ 200	\$ 200	\$ 293	\$ 93
Interest	100	100	310	210
Other	1,700	1,700	1,688	(12)
	2,000	2,000	2,291	291
Intermediate sources:				
County penal fines	15,000	15,000	19,573	4,573
Township services	2,120	2,120	2,190	70
	17,120	17,120	21,763	4,643
State sources:				
State aid	2,570	2,570	1,947	(623)
	21,690	21,690	26,001	4,311
Expenditures:				
Community services:				
Payroll	49,875	49,875	47,422	2,453
Supplies	500	500	202	298
Utilities	1,500	1,500	1,551	(51)
Administration	3,000	3,000	2,955	45
Additions and betterments	1,000	1,000	1,868	(868)
Books	4,000	4,000	3,995	5
Periodicals	500	500	531	(31)
Memberships	1,500	1,500	1,008	492
	61,875	61,875	59,532	2,343
Excess of Revenues over (under) Expenditures	(40,185)	(40,185)	(33,531)	6,654
Other Financing Sources (Uses):				
Operating transfers in	40,185	40,185	40,185	-
Excess of Revenues and Other Sources over (under) Expenditures and Other Uses	-	-	6,654	6,654
Fund balance at beginning of year	(15,035)	(15,035)	(15,035)	-
Fund balance at end of year	\$ (15,035)	\$ (15,035)	\$ (8,381)	\$ 6,654

CITY OF WAKEFIELD, MICHIGAN
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
MAJOR STREET FUND
Year ended June 30, 2006

	Budget		Actual	Variance with
	Original	Final	Amounts	Final Budget Positive (Negative)
Revenues:				
Local sources:				
Charges for services	\$ -	\$ -	\$ 2,063	2,063
Interest	2,000	2,000	779	(1,221)
	2,000	2,000	2,842	842
State sources:				
Gas and weight tax	212,533	212,533	234,616	22,083
Trunkline maintenance	34,425	34,425	50,451	16,026
Other state grants	-	-	38,671	38,671
	246,958	246,958	323,738	76,780
Federal sources	-	-	179,808	179,808
	248,958	248,958	506,388	257,430
Expenditures:				
Highways and streets:				
Construction	39,750	39,750	26,376	13,374
Routine maintenance	63,900	63,900	26,344	37,556
Traffic services	2,100	2,100	1,167	933
Snow and ice removal	76,500	76,500	112,505	(36,005)
Administrative	13,600	13,600	6,683	6,917
State trunkline maintenance	29,925	29,925	34,699	(4,774)
State trunkline maintenance	-	-	224,400	(224,400)
	225,775	225,775	432,174	(206,399)
Excess of Revenues over (under) Expenditures	23,183	23,183	74,214	51,031
Other Financing Sources (Uses):				
Operating transfers in	-	-	-	-
Operating transfers (out)	(51,719)	(51,719)	(54,769)	(3,050)
	(51,719)	(51,719)	(54,769)	(3,050)
Excess of Revenues and Other Sources over (under) Expenditures and Other Uses	(28,536)	(28,536)	19,445	47,981
Fund balance at beginning of year	184,227	184,227	184,227	-
Fund balance at end of year	\$ 155,691	\$ 155,691	\$ 203,672	\$ 47,981

CITY OF WAKEFIELD, MICHIGAN
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
LOCAL STREET FUND
Year ended June 30, 2006

	Budget		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Local sources:				
Charges for services	\$ -	\$ -	\$ -	-
Interest	1,000	1,000	1,603	603
	1,000	1,000	1,603	603
State sources:				
Gas and weight tax	84,892	84,892	88,678	3,786
Other	-	-	67,388	67,388
	84,892	84,892	156,066	71,174
Federal sources	-	-	116,653	116,653
	85,892	85,892	274,322	188,430
Expenditures:				
Highways and streets:				
Construction	3,400	3,400	112,105	(108,705)
Routine maintenance	43,910	43,910	14,895	29,015
Traffic services	1,900	1,900	1,850	50
Snow and ice removal	41,565	41,565	67,645	(26,080)
Administrative	15,912	15,912	5,250	10,662
	106,687	106,687	201,745	(95,058)
Excess of Revenues over (under) Expenditures	(20,795)	(20,795)	72,577	93,372
Other Financing Sources (Uses):				
Operating transfers in	51,719	51,719	54,769	3,050
Excess of Revenues and Other Sources over (under) Expenditures and Other Uses	30,924	30,924	127,346	96,422
Fund balance at beginning of year	102,551	102,551	102,551	-
Fund balance at end of year	\$ 133,475	\$ 133,475	\$ 229,897	\$ 96,422

CITY OF WAKEFIELD, MICHIGAN
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
CEMETERY FUND
Year ended June 30, 2006

	Budget		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Local sources:				
Grave openings	\$ 10,000	\$ 10,000	\$ 8,723	\$ (1,277)
Mausoleum storage	-	-	225	225
Perpetual care	2,000	2,000	2,067	67
Lot use	2,000	2,000	2,500	500
Interest	500	500	1,456	956
	14,500	14,500	14,971	471
Intermediate sources:				
Township services	4,250	4,250	4,390	140
	18,750	18,750	19,361	611
Expenditures:				
Community services:				
Payroll	15,000	15,000	26,486	(11,486)
Supplies and repairs	6,200	6,200	8,325	(2,125)
Administration	1,800	1,800	1,650	150
Rental	4,000	4,000	1,523	2,477
	27,000	27,000	37,984	(10,984)
Excess of Revenues over (under) Expenditures	(8,250)	(8,250)	(18,623)	(10,373)
Other Financing Sources (Uses):				
Operating transfers in	-	-	-	-
Excess of Revenues and Other Sources over (under) Expenditures and Other Uses	(8,250)	(8,250)	(18,623)	(10,373)
Fund balance at beginning of year	5,510	5,510	5,510	-
Fund balance at end of year	<u>\$ (2,740)</u>	<u>\$ (2,740)</u>	<u>\$ (13,113)</u>	<u>\$ (10,373)</u>

CITY OF WAKEFIELD, MICHIGAN
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
GARBAGE FUND
Year ended June 30, 2006

	Budget		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Local sources:				
Landfill fees	\$ 133,000	\$ 133,000	\$ 122,184	\$ (10,816)
Garbage bags	11,000	11,000	11,744	744
	144,000	144,000	133,928	(10,072)
Intermediate sources:				
Township services	28,349	28,349	28,512	163
	172,349	172,349	162,440	(9,909)
Expenditures:				
Community services:				
Payroll	49,700	49,700	38,602	11,098
Garbage bags	8,500	8,500	9,452	(952)
Landfill	79,500	79,500	85,207	(5,707)
Administration	3,500	3,500	3,360	140
Rental	28,700	28,700	7,945	20,755
	169,900	169,900	144,566	25,334
Excess of Revenues over (under) Expenditures	2,449	2,449	17,874	15,425
Other Financing Sources (Uses):				
Operating transfers in	-	-	-	-
Excess of Revenues and Other Sources over (under) Expenditures and Other Uses	2,449	2,449	17,874	15,425
Fund balance at beginning of year	(6,615)	(6,615)	(6,615)	-
Fund balance at end of year	\$ (4,166)	\$ (4,166)	\$ 11,259	\$ 15,425

OTHER REPORTS

DAVID TRACZYK

Certified Public Accountant

327 SILVER STREET
HURLEY, MICHIGAN 54534-1255

Member: AICPA, WICPA

Licensed: MI, WI

Tel: 715-561-3299

Fax: 715-561-4099

REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER FINANCIAL REPORTING BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

Mayor and Member of the Council
City of Wakefield
Wakefield, Michigan

I have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of City of Wakefield, Michigan, as of and for the year ended June 30, 2006, which collectively comprise the City of Wakefield, Michigan's, basic financial statements and have issued my report thereon dated October 12, 2006. I conducted my audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the City of Wakefield, Michigan's financial statements are free of material misstatement, I performed tests of it's compliance with certain provisions of laws, regulations, contracts, and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of my audit, and accordingly, I do not express such an opinion. The results of my tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*. However, certain immaterial instances of noncompliance are reported to in Note B of the notes to financial statements.

Internal Control Over Financial Reporting

In planning and performing my audit, I considered the City of Wakefield, Michigan's, internal control over financial reporting in order to determine my auditing procedures for the purpose of expressing my opinion on the financial statements and not to provide an opinion on the internal control over financial reporting. However, I noted certain matters involving the internal control over financial reporting and its operation that I consider to be reportable conditions. Reportable conditions involve matters coming to my attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in my judgment, could adversely affect the City's ability to record, process, summarize, and report financial data consistent with the assertions of management in the general purpose financial statements.

Two reportable conditions are described as follows:

2006-1 Accounting Records

Condition and Criteria: The City did not maintain adequate records to support the inventory of supplies.

Effect: Because adequate records were not maintained, the amounts reported as supplies inventory could not be verified. This resulted in a qualified opinion on the financial statements.

Recommendation: I recommend that the accounting personnel receive proper training and supervision.

Response: We concur with the recommendation and have retained additional help.

2006-2 Fixed Assets

Condition and Criteria: The City has not updated its general fixed assets ledgers or enterprise fund asset ledgers for many years.

Effect: Because of the failure to properly maintain the fixed asset accounts, proper control over these assets cannot be achieved.

Recommendation: It is recommended that all fixed asset accounts be updated and maintained as an integral part of the City's accounting system.

Response: We concur with the recommendation and have begun the process.

Both of the above conditions were also noted in the prior year report.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the general purpose financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. My consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However of the reportable conditions described above, I consider item 2006-1 to be a material weakness. I also noted other matters involving the internal control over financial reporting, which I have reported to management of the City in a separate letter dated October 12, 2006.

This report is intended solely for the information and use of the audit committee, management, others within the organization, City Council, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

October 12, 2006